

## AGENDA INFORMATION SHEET

### SUSPENSION OF ATMOS ENERGY'S PROPOSED EFFECTIVE DATE FOR ITS PROPOSED INCREASE IN RATES

#### **BACKGROUND**

On or about June 1, 2018, Atmos Energy Corporation (“Atmos” or “Company”) filed a Statement of Intent with members of the coalition of cities known as the Atmos Texas Municipalities (“ATM”) comprised of about 50 cities, of which the City is a member, to increase rates by approximately \$4.5 million, which equates to an increase of about 8% in annual non-gas-cost revenue in the ATM cities. On a system-wide basis, Atmos’s proposed increase would be the equivalent of about \$46.0 million; this equates to an increase in annual revenue of about 7.3%.

Atmos proposes an effective date of July 6, 2018 for its change in rates. As is explained below, the proposed resolution related to Atmos’s application to increase rates, if adopted, suspends Atmos’s proposed effective date for the statutory time period of 90 days, to October 4, 2018.

#### **BILL IMPACT:**

Atmos proposes to *increase base rates for residential customers* and to *decrease base rates for commercial customers*. The effect on a customer’s bill under Atmos’s proposed rates is as follows:

| Class of Customer       | Change in Average Bill<br>(excluding cost of gas) |
|-------------------------|---|
| Residential – Rate R    | 11.15% <b>increase</b>                            |
| Commercial – Rate C     | 4.22% <i>decrease</i>                             |
| Industrial – Rate I     | 12.39% <i>decrease</i>                            |
| Transportation – Rate T | 12.39% <i>decrease</i>                            |

| Class of Customer       | Change in Average Bill<br>(including cost of gas) |
|-------------------------|---|
| Residential – Rate R    | 4.82% <b>increase</b>                             |
| Commercial – Rate C     | 1.35% <i>decrease</i>                             |
| Industrial – Rate I     | 2.14% <i>decrease</i>                             |
| Transportation – Rate T | 2.33% <i>decrease</i>                             |

#### **REVENUE IMPACT:**

Assuming Atmos's proposed increase is approved, the effect on the percentage change in *revenue* for each customer class is shown below:

| Class of Customer       | Change in Revenue<br>(excluding cost of gas) |
|-------------------------|--|
| Residential – Rate R    | 11.18% <b>increase</b>                       |
| Commercial – Rate C     | 5.17% decrease                               |
| Industrial – Rate I     | 9.20% decrease                               |
| Transportation – Rate T | 9.20% decrease                               |

### CURRENT BASE RATES VERSUS PROPOSED BASE RATES:

Atmos proposes to increase the fixed customer charge for the Residential class, while charges based on consumption would be reduced. For commercial customers, Atmos proposes a decrease in the customer charge and the commodity charge. The table below shows Atmos's current base rates and its proposed base rates:

| Rate R - Residential                     |                                 | Current    | Proposed  | \$ Change   | % Change |
|--|---------------------------------|------------|-----------|-------------|----------|
|  | Customer Charge per month       | \$18.35    | \$20.25   | \$1.90      | 10.35%   |
|  | Consumption Charge (per CCF)    | \$ 0.13734 | \$0.15701 | \$0.01967   | 14.32%   |
| Rate C - Commercial                      |                                 |            |           |             |          |
|  | Customer Charge per month       | \$41.95    | \$41.85   | <\$0.10>    | <0.24%>  |
|  | Consumption Charge (per CCF)    | \$0.08746  | \$0.07729 | <\$0.01017> | <11.63%> |
| Rate I & T – Industrial & Transportation |                                 |            |           |             |          |
|  | Customer Charge per month       | \$752.00   | \$752.00  | \$0.00      | 0.0%     |
|  | Consumption Charge (per MMBTU): |            |           |             |          |
|  | First 1,500                     | \$0.3172   | \$0.2390  | <\$0.07820> | <24.65%> |
|  | Next 3,500                      | \$0.2322   | \$0.1901  | <\$0.04210> | <18.13%> |
|  | Over 5,000                      | \$0.0498   | \$0.0498  | \$0.00000   | 0.0%     |

Because of the material increase to the Residential class and decreases to the commercial and industrial and transportation classes, the City should evaluate Atmos's proposed allocation of costs to the customer classes.

Atmos's application represents its first general rate case since 2012 (GUD No. 10170). Prior to this filing, Atmos sought annual increases in rates pursuant to the Rate Review Mechanism ("RRM"). However, the RRM tariff has since expired, thus necessitating Atmos's application. Note that Atmos is seeking an increase in rates in those cities that continued the RRM tariff.

## **ACTION REQUIRED BY July 6, 2018**

**The City must take action on Atmos's Statement of Intent before July 6, 2018.** Absent such action, Atmos's rates are deemed approved by operation of law.

## **ATMOS TEXAS MUNICIPALITIES**

The Atmos Texas Municipalities ("ATM") was organized by a number of municipalities, served by Atmos. Alfred R. Herrera with the law firm of Herrera Law & Associates, PLLC, has previously represented the City as part of ATM in rate cases involving Atmos.

## **CITY JURISDICTION TO SET ATMOS'S RATES**

Unless a city ceded its original jurisdiction to the Railroad Commission of Texas, the Gas Utility Regulatory Act § 103.001 grants a city exclusive original jurisdiction over a gas utility's rates, services, and operations within the city limits. But even if a city has ceded its jurisdiction, to the Railroad Commission, the Gas Utility Regulatory Act § 103.023, grants a city the statutory right to participate in rate proceedings before the Railroad Commission.

## **RATE CASE EXPENSES**

Cities by statute are entitled to recover their reasonable rate case expenses from the utility. See Gas Utility Regulatory Act § 103.022. Legal counsel and consultants approved by ATM will submit monthly invoices to the coalition-designated city that will be forwarded to Atmos for reimbursement; the City of Longview has served in that capacity for several years. No individual city's budget is negatively affected.

## **SUSPENSION**

Atmos's rate-filing package is voluminous containing thousands of pages of data. In order to have time to review the rate-filing package, the Council is requested to suspend Atmos's proposed effective date for ninety (90) days as provided by GURA. It is a virtual impossibility for the City to set just and reasonable rates without suspending the rate request for ninety days; suspension of Atmos's proposed effective date will permit its special regulatory counsel and experts an opportunity to perform a better review of Atmos's application. Further, should Atmos's notice prove to be deficient, then the statutory period would be extended; also by agreement between the City and Atmos, the statutory suspension period may be extended.

## **RECOMMENDATION**

It is recommended that the City continue its participation in the Atmos Texas Municipalities and retain the law firm of Herrera Law & Associates, PLLC to represent the City's interest in matters related to Atmos's rate case and to advise the City with regard to Atmos's application, and that, if Atmos either submits its application to the Railroad Commission of Texas, or appeals the City's final decision to the Railroad Commission, the City intervene in the proceeding before the Railroad Commission of Texas, should such proceedings develop, and court appeals, if any.

The recommendation is also to suspend Atmos's proposed effective date of July 6, 2018, for its proposed increase in rates as set forth in Atmos's Statement of Intent for 90 days. Assuming Atmos's notice meets the statutory criteria for sound notice, the suspension period runs until October 4, 2018.

**The City must take action no later than July 6, 2018. If the City does not take action by July 6, 2018, Atmos's proposed rates will be deemed approved by operation of law, subject to the City's right to hold a hearing to address Atmos's rate application.**